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SUBJECT: NUEVO LEON AND ZACATECAS GOVERNORS SEEK INFRASTRUCTURE DEVELOPMENT

REF: MONTERREY 442

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¶11. (SBU) Summary: On the margins of the Mexico Business Summit, held in Monterrey November 8-10 (reftel), the Ambassador met (separately) with the Governors of Nuevo Leon and Zacatecas.

During a November 10 meeting, the Ambassador and Nuevo Leon Governor Rodrigo Medina (PRI) discussed innovative solutions to streamline cross-border trade and propel integration of the US and Mexican border state economies. Medina outlined his vision for strengthening the state's export position via the construction of a regional logistics hub and inland port, with a dedicated rail link to Texas. Medina further said the state had begun to gain back manufacturing jobs that it had lost during the earlier stages of the recession and was preparing to become a major medical tourism destination. Separately, Governor Amalia Garcia (PRD) emphasized the ongoing highway projects undertaken during her administration which will link the state to key outside markets. End summary.

Innovative Solutions Key to Improving Bilateral Trade

¶12. (SBU) At a November 10 breakfast, the Ambassador and newly installed Nuevo Leon Governor Rodrigo Medina assessed infrastructure constraints that resulted in customs delays and hindered business between the U.S. and Mexico. They agreed that innovative and creative solutions would be the key to resolving these problems. Improved infrastructure would strengthen both countries' competitive advantage in the hemisphere and internationally.

Inland Ports Vital

¶13. (SBU) Governor Medina briefed on the state's plans to establish an inland port in Sabinas-Hidalgo, Nuevo Leon, approximately 40 miles north of Monterrey and 70 miles south of the border, which would link Monterrey with Houston and Dallas, Texas. Moving customs infrastructure away from the crowded border, the Ambassador responded, had the potential to reduce physical space constraints on the border and could help expand

the capacity to undertake customs operations. Medina stated that Nuevo Leon's concept envisioned the placement of U.S. CBP officials at the inland port in Sabinas-Hidalgo to pre-clear exports sent via train, truck or airplane to the U.S. Such a program, he said, could help shippers avoid long delays at congested U.S. customs stations at the border - up to two days in some cases - that have hampered regional trade. Medina estimated that around US\$ 2.5 billion in total private and public investment would be available to fund the necessary infrastructure for the inland port. He asked the Ambassador for assistance in pushing forward this project overall.

The Stalled Colombia Rail Bridge Permit

¶4. (SBU) Medina noted that in addition to the expansion of the current highway between Sabinas-Hidalgo and the border, which the Mexican federal government had already agreed to fund, an integral part of the overall inland port project was a proposed railroad crossing from Texas into Nuevo Leon's eight-mile stretch of the border. He saw this bridge, connecting Webb County, Texas with Colombia, Nuevo Leon, as pivotal to Nuevo Leon's efforts to reinforce its position as a key regional logistics hub, and asked the Ambassador for help in obtaining USG approval of the rail link permit. State Secretary of Economic Development Othon Ruiz anticipated that a public-private partnership (which would include the country's development bank NAFIN) would provide financing for the rail bridge. However, he added, the GoM would not consider funding absent USG approval of the railroad permit.

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Nuevo Laredo Dismissed as Alternative

¶5. (SBU) Ruiz said that an alternative rail route proposed by Kansas City Southern through Nuevo Laredo would add more congestion to an already busy crossing (where over 25 percent of Mexico's total international trade transits). He opined that a new crossing at Colombia would reduce congestion in Nuevo Laredo and free up highways. Another advantage, Ruiz said, is the small population in the Colombia area, which would result in less gridlock and improve trade at the country's 4th largest port where around 35 percent of Mexico's meat imports enter. (Note: Kansas City Southern has the railway concession for the existing crossings in Laredo. End note.)

Economy a Priority

¶6. (SBU) Medina explained that he has an ambitious economic development agenda, which included promoting the export of services. Although he admitted that improving a "tense" security climate was important to improving economic prospects, he emphasized that the economic agenda was as important as the security agenda. Underscoring the beginning of an economic recovery in the state, Medina said Nuevo Leon gained 8,000 jobs in October, mostly created by new investment from foreign owned manufacturing companies such as Whirlpool and Finlandia.

¶ 17. (SBU) Medina believed the state could take advantage of rising health costs and lack of insurance in the U.S. to become a major medical tourism destination. To that end, the state is constructing five to six new (JACO certified) hospitals. In order to move this project ahead, Medina called for Medicare reimbursements to Mexican hospitals, currently not allowed under U.S. guidelines. Ambassador noted that President Obama had discussed this issue with President Calderon at their August meeting in Guadalajara, and both recognized that this issue would need to await passage of a U.S. health care bill.

A Look at Zacatecas

¶ 18. (SBU) During her meeting with the Ambassador, Governor Garcia characterized Zacatecas as a poor state with a limited manufacturing base. As a result, under her administration, Zacatecas has sought to emphasize industries such as tourism and information technology. She noted that, after nine months of lobbying, the state had just persuaded the U.N. to open one of its four cultural patrimony regional offices in the capital (the others will be in Bahrain, Chile, and Brazil). In addition, the Governor declared that Zacatecas was one of five Mexican states which had registered employment increases during recent months, adding, however, that residents still felt the impact of the recession through price increases on staples such as electricity, gasoline, and food.

¶ 19. (SBU) Garcia was especially proud of her record on highway infrastructure. She stated that the federally-funded expansion of the previous two-lane highway (one lane in each direction) to Saltillo/Monterrey was nearly complete. Meanwhile, equally-important projects included in-train linking of the Zacatecas capital to the nearby states of San Luis Potosi and Jalisco. Finally, Garcia spoke at length on the state's

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programs to attract remittances from the large Zacatecan diaspora living in the U.S. Noting that more Zacatecans live outside the state than inside, she described the "3+1" program whereby the federal, state, and municipal governments match each dollar that Zacatecan community organizations in the U.S. send back for development projects. Unfortunately, economic austerity will soon compel a suspension of this program, she stated.

¶ 110. (U) This cable has been cleared by the Ambassador.
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